

ASSEMBLY BILL

No. 1949

Introduced by Assembly Member Cedillo

February 23, 2012

An act to add Section 770.4 to the Insurance Code, relating to public employees.

LEGISLATIVE COUNSEL'S DIGEST

AB 1949, as introduced, Cedillo. Public employees: annuities and mutual fund custodial accounts.

Existing law prohibits state and local agencies from negotiating life and disability insurance or requiring the placing of that insurance through particular agents, brokers, or companies, except to the extent that the state has a direct financial interest in the subject of the insurance, as specified. Existing law excepts from these provisions a tax-sheltered annuity under an annuity plan that meets the requirements of Section 403(b) of the Internal Revenue Code to be placed or purchased for an employee, as specified. Existing law requires an annuity contract and custodial account as described in Section 403(b) of the Internal Revenue Code to be offered to all employees of any state agency who are members of the State Teachers' Retirement Plan, any employee of a local public agency or political subdivision of the state that employs persons to perform creditable service subject to coverage by the plan, and eligible state employees of a state employer under the uniform state payroll system, excluding the California State University System. The Teachers' Retirement Law provides a registration process for information relating to tax-deferred retirement investment products.

This bill would authorize a school district, a county office of education, or a charter school to select 4 or more vendors of tax-deferred

retirement investment products described in Section 403(b) of the Internal Revenue Code, including fixed annuities, variable annuities, and mutual fund custodial accounts, through salary reduction agreements and, if elected by the school district, county office of education, or charter school, through additional employer or employee contributions, as specified.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 770.4 is added to the Insurance Code, to
2 read:
3 770.4. (a) For the purposes of this section, “403(b) product or
4 403(b) products” means tax-deferred retirement investment
5 products as described in Section 403(b) of the Internal Revenue
6 Code, and complying with applicable California insurance laws,
7 and federal and California securities laws and rules as applied by
8 appropriate regulatory entities.
9 (b) Notwithstanding Section 770.3 and any other law, a school
10 district, a county office of education, or a charter school may select
11 four or more vendors of 403(b) products through salary reduction
12 agreements and, if elected by the school district, county office of
13 education, or charter school, through additional employer or
14 employee contributions. The selected vendors shall offer access
15 to both of the following: (1) the three broad classifications of
16 403(b) products, including fixed annuities, variable annuities, and
17 mutual fund custodial accounts, and (2) a range of bundled service
18 models, including, but not limited to, direct purchase and services
19 of local representatives. The school district, county office of
20 education, or charter school may designate one of the selected
21 vendors or a third party to provide or facilitate plan compliance
22 coordination consistent with the requirements of Section 403(b)
23 of the Internal Revenue Code. If a vendor is designated to provide
24 that service, the vendor shall agree not to use information obtained
25 in the course of providing the service for any other purpose, except
26 as expressly authorized by the school district, county office of
27 education, or charter school and communicated to each of the other
28 403(b) product vendors.

1 (c) (1) A school district, a county office of education, or a
2 charter school electing to limit the number of 403(b) product
3 vendors available to its employees pursuant to subdivision (b) may
4 do so by either of the following processes:

5 (A) Utilizing an objective and competitive bidding and
6 procurement process for the school district, county office of
7 education, or charter school, or as part of a joint bidding and
8 procurement process, consistent with the public procurement
9 guidelines applicable to each school district, county office of
10 education, or charter school participating in the process.

11 (B) Adopting the vendor selection of another school district,
12 county office of education, or charter school, if that selection was
13 subject to, or otherwise met, the requirements of subparagraph (A)
14 and occurred within the current or preceding three calendar years.

15 (2) The school district, county office of education, or charter
16 school may equitably apportion the costs associated with the
17 procurement process to each vendor selected pursuant to the
18 requirements of this section.

19 (3) A school district, a county office of education, or a charter
20 school that includes represented employees shall include those
21 employees in the vendor selection process.